



February 11, 2015

Item No. 2

**AUTHORIZATION TO EXERCISE THE FIRST ONE-YEAR OPTION WITH
CONSTELLATION NEWENERGY-GAS DIVISION, LLC FOR THE SUPPLY AND
DELIVERY OF NATURAL GAS TO VARIOUS CHA RESIDENTIAL SITES AND
FACILITIES**

To the Honorable Board of Commissioners:

RECOMMENDATION

It is recommended that the Board of Commissioners approve the attached resolution authorizing the Chief Executive Officer or his designee to exercise the first one-year option with Constellation NewEnergy-Gas Division, LLC for the supply and delivery of natural gas to various CHA residential sites and facilities in an amount not-to-exceed \$ 6,496,740.00.

CORPORATE GOAL 2:

Ensure the Chicago Housing Authority's portfolio is safe, decent and sustainable.

FUNDING: General Fund

AWARD/PROCUREMENT INFORMATION

Contractor: Constellation NewEnergy-Gas Division, LLC
500 West Madison
Suite 3300
Chicago, IL 60661

Contract Type: Supply and Delivery

Original Contract Amount:	\$ 11,800,000
Amount of Contract Amendment No.1:	\$ 6,496,740
New Total Contract Amount:	\$ 18,296,740
Original Contract Term:	April 1, 2013 - March 31, 2015
First Contract Extension:	April 1, 2015 - March 31, 2016

M/W/DBE Participation:

Direct: MBE 20% WBE % DBE %
Indirect: MBE % WBE % DBE %
Waiver: Yes/No

Section 3:

N/A, however vendor is paying into Section 3 Fund Scholarship

EXPLANATION

In March 13, 2013, the Board of Commissioners approved a contract award to Constellation NewEnergy-Gas Division, LLC for the supply and delivery of natural gas to various CHA residential sites and facilities for a base period of two (2) years for a not-to-exceed compensation amount of \$11,800,000, with three (3) one-year extension options reserved to the CHA. The base term of contract is due to expire on March 31, 2015.

The Natural Gas Supply and Delivery Agreement offers CHA the opportunity to purchase its gas needs at wholesale instead of retail, and enables the CHA to hedge against potential market price fluctuations through the use of multi-tiered price/risk management options.

An extension of the agreement would allow the CHA to continue to purchase natural gas supplies from non-utility sources and thereby reduce the CHA's overall gas costs. The Department of Housing and Urban Development has historically encouraged and offered incentives to housing authorities that purchase their natural gas supplies at wholesale (wellhead) rates that are less than what the local gas utility would ordinarily charge to retail gas customers. It is critical that the CHA continue to reduce its energy costs through gas purchases made under the wellhead program.

This contract provides the supply and delivery of natural gas to all CHA family, senior and scattered site properties in the CHA traditional public housing portfolio. The CHA continues to use People's Gas for the distribution of natural gas from the wholesale distribution point known as the Chicago "Citygate" to actual CHA buildings; this local distribution cost is not included within the scope or budget of this contract.

In recent years the decreases in the CHA's natural gas consumption and costs were primarily due to price/risk management strategies, building consolidations and closures, and energy-efficient retrofits. The extension of this contract will allow the CHA to continue to purchase natural gas supplies competitively in the wholesale market in an effort to continue reducing the CHA's overall utility costs.

If authorized, this will be the first amendment of the existing contract, and the amount requested is within the approved 2015 budget.

The CHA is recommending that the Board authorize the Chief Executive Officer or his designee to execute an amendment extending Contract #11228 with Constellation NewEnergy-Gas Division, LLC be extended for twelve (12) months by exercising the first one year option, from April 1, 2015 through March 31, 2016, in the amount of \$6,496,740.

RESOLUTION NO. 2015-CHA-12

WHEREAS, the Board of Commissioners of the Chicago Housing Authority has reviewed the memorandum dated February 11, 2015 entitled “**AUTHORIZATION TO EXERCISE THE FIRST ONE-YEAR OPTION WITH CONSTELLATION NEWENERGY-GAS DIVISION, LLC FOR THE SUPPLY AND DELIVERY OF NATURAL GAS TO VARIOUS CHA RESIDENTIAL SITES AND FACILITIES**”

THEREFORE, BE IT RESOLVED BY THE CHICAGO HOUSING AUTHORITY

THAT, the Board of Commissioners authorizes the Chief Executive Officer or his designee to execute an amendment extending Contract #11228 with Constellation NewEnergy-Gas Division, LLC to purchase natural gas supplies for the period of April 1, 2015 through March 31, 2016, and increasing the total not-to-exceed compensation under Contract #11228 by \$6,496,740, resulting in the new total not-to-exceed compensation amount of \$18,296,740.



Chicago Housing Authority
60 E. Van Buren
Chicago, IL 60605

312-742-8500

www.thecha.org